

## Capital Investment -A threat or an opportunity?



The intuitive answer is that most enterprises would view a capital investment as an opportunity and that of course is what it should turn out to be if all goes as planned. The opportunity to increase output, reduce unit costs and ensure consistent levels of product quality. These are the primary reasons on which returns on investment are projected and expenditure justified. However, in the background lies a latent threat to the business if the project is not completed and put to work on time and on budget. It is likely that future commitments have been made to supply product to meet key customer demand and if this cannot be properly satisfied the consequences to both the financial and reputational standing of the business can be serious.

So potentially there is a lot at stake, on the one hand the bright profitable future envisaged when the decision to invest was made and on the other the potentially serious consequences of the project reality not living up to expectations. In all projects it is worthwhile to carry out the classic SWOT analysis, many will be familiar with this technique when comparing their products with those of their competitors but perhaps not so familiar in this application. At Plating Line Advice, we believe it is also a useful technique when assessing key project decisions and especially when comparing possible suppliers of capital equipment.

### **What is a SWOT analysis?**

SWOT is an acronym that stands for Strengths, Weaknesses, Opportunities, and Threats. A SWOT analysis would be used by project teams during strategic planning to identify what their project is doing well, where it can improve, what are the risks and how it fits in the investment landscape. It can also be applied with great effect at the supplier selection level.

### **Components of a SWOT analysis**

#### **Strengths**

Strengths are an assessment of the project's or supplier's attributes that give it an advantage over other alternatives.

#### **Opportunities**

Opportunities are usually dependent on the success of the project and can range from supplying to new markets, improving quality, cost reduction etc. often driven by unmet customer needs that the business has identified.

## Weaknesses

The weaknesses component of the SWOT analysis is an assessment of the project's or supplier's attributes that put it at a disadvantage when compared to alternatives. For example, a weakness that could be a key consideration is a lack of previous experience in the realisation of specialised turnkey projects.

## Threats

Threats are typically factors impacting the project or supplier. These factors can be anything ranging from limitations of available resource to emerging technology. Ultimately, these threats are the obstacles facing the business and what could adversely affect the project outcome.

The benefits of carrying out the SWOT are summarised by the saying

“Forewarned is forearmed” which dates back in Britain to at least 1592 and means “prior knowledge of possible dangers or problems gives one a tactical advantage”.

The conclusion being, that to ensure the opportunity presented by the decision to invest is realised to its full potential the possible risks should be identified in advance and steps taken to eliminate them or at least mitigate their impact.

This philosophy is at the heart of our approach, bringing to bear 45 years' experience of project realisation with the objective on ensuring “a happy landing every time” for your project.

**“Peace of Mind through Confidence”**

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